

Senate Study Bill 1278 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON BOLKCOM)

A BILL FOR

1 An Act relating to state and local taxation by amending the
2 sales and use tax exemption and refunds and the property tax
3 exemption available to data center businesses, and including
4 effective date provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 423.3, subsection 95, paragraph b, Code
2 2015, is amended by adding the following new subparagraph:
3 NEW SUBPARAGRAPH. (5) The data center business shall begin
4 rehabilitation or construction before the effective date of
5 this Act on the data center that it will operate.

6 Sec. 2. Section 423.3, subsection 95, paragraph e,
7 subparagraph (1), Code 2015, is amended to read as follows:

8 (1) "*Data center*" means a building rehabilitated or
9 constructed to house a group of networked server computers
10 in one physical location in order to centralize the storage,
11 management, and dissemination of data and information
12 pertaining to a particular business, taxonomy, or body of
13 knowledge, which building rehabilitation or construction
14 began before the effective date of this Act. A data center
15 business's facility typically includes the mechanical and
16 electrical systems, redundant or backup power supplies,
17 redundant data communications connections, environmental
18 controls, and fire suppression systems. A data center
19 business's facility also includes a restricted access area
20 employing advanced physical security measures such as video
21 surveillance systems and card-based security or biometric
22 security access systems.

23 Sec. 3. Section 423.4, subsection 7, paragraph b, Code 2015,
24 is amended by adding the following new subparagraph:

25 NEW SUBPARAGRAPH. (5) The data center business shall begin
26 rehabilitation or construction before the effective date of
27 this Act on the data center that it will operate.

28 Sec. 4. Section 423.4, subsection 8, paragraph b, Code 2015,
29 is amended by adding the following new subparagraph:

30 NEW SUBPARAGRAPH. (5) The data center business shall begin
31 rehabilitation or construction before the effective date of
32 this Act on the data center that it will operate.

33 Sec. 5. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
34 immediate importance, takes effect upon enactment.

35 EXPLANATION

1 The inclusion of this explanation does not constitute agreement with
2 the explanation's substance by the members of the general assembly.

3 BACKGROUND. Current law provides several tax incentives
4 targeted exclusively at data center businesses that operate a
5 data center in Iowa.

6 Code section 423.3(95) provides a sales and use tax
7 exemption to a data center business for the purchase of
8 certain computers, equipment, backup power generation fuel,
9 and electricity. In order to qualify for the exemption the
10 data center business must meet certain requirements related to
11 physical size, timing and amount of investment, and design and
12 construction standards.

13 Code section 423.4(7) provides a limited-time (up to five
14 years) refund for 50 percent of the state sales and use tax
15 paid by a data center business on purchases of certain fuel
16 and electricity. In order to qualify for the refund the data
17 center business must meet certain requirements related to the
18 timing and amount of investment, and design and construction
19 standards.

20 Code section 423.4(8) provides a limited-time (seven
21 or 10 years) refund for 50 percent of the state sales and
22 use tax paid by a data center business on purchases of
23 certain computers, equipment, backup power general fuel, and
24 electricity. In order to qualify for the refund the data
25 center business must fail to qualify for the sales and use tax
26 exemption under Code section 423.3(95) and must meet certain
27 requirements related to physical size, timing and amount of
28 investment, and design and construction standards.

29 Code section 427.1(37) provides a property tax exemption
30 for certain computers and machinery utilized by a data center
31 business.

32 BILL CHANGES. This bill amends the requirements for a data
33 center business to qualify for the sales and use tax exemption
34 in Code section 423.3(95), and by operation of law the property
35 tax exemption in Code section 427.1(37), and the requirements

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1 for a data center business to qualify for the sales and use tax
2 refunds in Code sections 423.4(7) and 423.4(8), to require that
3 a data center business begin rehabilitation or construction
4 before the effective date of the bill on the data center that
5 it will operate in order to qualify. The bill also amends
6 the definition of "data center" in Code section 423.3(95) to
7 specify that in order to meet the definition, the building
8 rehabilitation or construction must begin before the effective
9 date of the bill.
10 The bill takes effect upon enactment.